

(916) 445-4588

February 22, 1980

! This is in reply to your letter of January 21 in which you pose several questions regarding change in ownership. You state the facts as follows:

The property in question is leased to the corporation on a 55-year lease with more than 35 years remaining. All outstanding stock of the corporation is owned by the buyer. The corporation operates a business on the property, but should the buyer and/or corporation discontinue its present business operation the corporation would be liquidated and its assets would later be distributed to the buyer.

Question No. 1

If the Corporation purchases the property would the merger of its lease and the underlying fee constitute a change in ownership at the time of purchase?

Answer

Yes. Section 61(c) provides in essence that the termination of a leasehold interest in taxable real property which had an original term of 35 years or more would be regarded as a change in ownership and therefore require reappraisal.

Question No. 2

If the Corporation purchases the property and upon subsequent liquidation distributes said property to Buyer would a change of ownership occur at that time?

Answer

Yes. Section 61(i) of the Revenue and-Taxation Code provides that there is a change in ownership when a corporation transfers any interest in real property to one of its shareholders.

Question No. 3

If Buyer purchases the property from Seller would a change of ownership occur at the time of purchase?

Answer

No. The corporation and its stockholders are separate entities under AB 1433. Accordingly, the stockholders purchasing the underlying fee which is subject to a lease for a term of 35 years or more would not be regarded as a change in ownership. (§ 61(c) Revenue and Taxation Code)

Question No. 4

If Buyer purchases the property from Seller and the Corporation is liquidated and its assets (including the remaining term of the fifty-five year lease) are distributed to Buyer, does a change of ownership occur upon such liquidation (i.e., by merger of lease and underlying fee)?

Answer

Yes. See Section 61(c) of the Revenue and Taxation Code.

Question No. 5

If a change of ownership does not occur under the circumstances of question number 4, when does such a change of ownership occur in the situation which the property is purchased by Buyer from Seller, the Corporation liquidated and its assets (including the remaining term of the fifty-five year lease) are distributed to Buyer.

Answer

See answer to Question No. 4.

Very truly yours,